SEGUE TO ACQUIRE 51% INTEREST IN THE
EMANG MANGANESE PROJECT, SOUTH AFRICA

Highlights:

• Segue has entered into an agreement to acquire up to 51% of the Emang Manganese Project in the Postmasburg Manganese Field in South Africa

• Exploration target of 45-60Mt with a cut-off grade of 28-48% manganese\(^1\) which may be amenable to open pit mining

• Manganese ore was produced from the Project area until the 1980’s and several mines in close proximity have recently commenced operations

• Located close to infrastructure, including rail line and siding within 2kms of the project, water pipeline, main arterial roads and power surrounding the area

• Segue is partnering with Emang Mmogo Mining, an experienced Black Economic Empowerment Group

• Acquisition consideration includes exploration expenditure of ZAR14m (A$1.94m)\(^2\) and completion of a Bankable Feasibility Study at a cost of up to ZAR21m (A$2.90m)

• Capital raising being undertaken to finance the initial payment to Emang Mmogo Mining and exploration expenditure

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\(^1\) The potential quantity and grade of the above Exploration Target is conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

\(^2\) Exchange rate is approximately A$1.00 = ZAR7.2328 as at 5 July 2011
Emang Manganese Project

The Directors of Segue Resources Limited (Segue or the Company) are pleased to advise that the Company has entered into an acquisition agreement with Emang Mmogo Mining Resources (Pty) Ltd (Emang Mmogo Mining) to acquire a 51% stake in the Emang Manganese Project (Emang or the Project) situated in the Postmasburg Manganese Field in South Africa.

The Project area covers 1,668ha within the western limb of the Postmasburg Manganese Field between Sishen and Postmasburg in the Northern Cape Province. The Northern Cape Province contains the bulk of South Africa’s economic manganese reserves and is one of the largest manganese producing regions in the world.

The Postmasburg Manganese Field was discovered in 1922 and various companies have completed exploration and production in the area since. Historical mining on the project area occurred from 1960 to the early 1980’s by Associated Manganese (Assmang). Mining operations ceased when Assmang’s primary area of operation moved to the Kalahari Manganese Field. Exploration and mining activity has recommenced in the Postmasburg Manganese Field in recent years, as global demand for medium grade manganese ore (grading 30-44% manganese) has significantly increased.

The mineralisation is exposed over a significant portion of the project area in an elevated ridge, which is considered the primary resource target. Erosion of the manganese has also resulted in detrital ore being deposited down the slopes of the ridge. In 2010 Geo-Rock International (Pty) Ltd completed a Competent Persons report identifying an Exploration Target of 45-60Mt with a cut-off grade of 28-48% manganese for the Project.

Venmyn Rand (Pty) Ltd, a South African based technical, economic consulting and geological firm, carried out an Independent Due Diligence, Mineral Asset Valuation and Fatal Flaws Report of the Project in June 2011 on behalf of Segue. The report concluded that “the project has potential for significant quantity of manganese ore with grade varying between 32%-46% manganese content”.

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The Project is located within an established mining province with essential infrastructure nearby. A siding for the main manganese export rail line to Richards Bay and Saldanha is within 2km of the Project. Water is available from the Gamagara pipeline to the east of the property, access roads run through the project area and there is power nearby. It is anticipated that the future power requirements of the Project will be small, given the potential for open pit mining and limited processing required.

**Emang Mmogo Mining**

Emang Mmogo Mining, Segue’s Black Economic Empowerment (BEE) partner in the Project, is a strong local partner representing the local community and Historically Disadvantaged South Africans. Segue believes that its BEE partner will significantly enhance the project and assist in exceeding project timelines and milestones.

Chairperson of Emang Mmogo Mining, Mrs Virginia Mongwaketse of the Northern Cape Province said:

*I welcome Segue Resources to South Africa and am very happy to have them as our partner in the Emang Manganese Project. I believe Segue has the people, experience and capability to bring Emang into production in the near future. Emang Mmogo Mining will provide Segue all the necessary support and assistance to achieve this outcome. My hope is that the Emang Manganese Project will one day provide employment opportunities to hundreds of people in the Northern Cape Province.*

Mrs Mongwaketse and her colleagues in Emang Mmogo Mining not only have valuable political experience, but bring a wealth of experience in the minerals industry and in particular have a strong knowledge of the manganese fields within the Northern Cape Province.
The Prospecting Right which contains the Emang Manganese Project is held by Emang Mmogo Mining and an application for renewal has been lodged with the Department of Mineral Resources (DMR). The Minerals and Petroleum Resources Development Act provides that a prospecting right for which an application for renewal has been lodged shall remain in force until the renewal application has been granted or refused. The Directors of Segue believe that there is no reason for the DMR not to allow the renewal of the Prospecting Right to Emang Mmogo Mining.

Summary of Commercial Terms of the Acquisition

The acquisition of 51% of the Project will occur over two phases. Phase 1 involves Segue acquiring a 30% interest in the Project by paying ZAR7 million (A$0.97 million) to the vendors and spending up to ZAR14 million (A$1.94 million) on an Initial Drilling Programme to define the extent and grade of mineralisation in the Emang Manganese Project area.

Upon completion of the Initial Drilling Programme, Segue will pay a further ZAR7 million (A$0.97 million) to the vendors. A final payment of ZAR7 million (A$0.97 million) will be made to the vendors if a JORC resource of at least 10 million tonnes at a grade of 34% manganese has been defined at the Project in the indicated and/or measured categories.

Completion of the acquisition of the 30% interest is subject to usual pre-conditions including government approval for the renewal, registration and transfer of the title to the Project.

In Phase 2 Segue will acquire an additional 21% interest in the Project (taking Segue’s total Project interest to 51%) by spending ZAR21 million (A$2.90 million) to complete a Bankable Feasibility Study on the Project.

A royalty of A$0.75 per tonne of ore will be payable to the vendors in certain circumstances upon commencement of commercial production, and is limited to the first 25 million tonnes of JORC resources in the indicated and/or measured categories.

Experienced Management Team

Segue announced today that Mr Steven Michael has joined the Company as Managing Director. Mr Michael has over 15 years’ experience in many aspects of mining finance, project evaluation and equity capital markets. Mr Michael has previously worked with several Australian and international mining companies on acquiring and developing mining projects in Southern Africa, including South Africa, Namibia, Zambia and the Republic of Congo.

Mr Michael will work closely with Segue’s existing management team, including Mr Ian Benning, who is an Executive Director based in Johannesburg. Mr Benning is a Mining Engineer with considerable operating experience in South Africa. Mr Benning was previously Mine Overseer with Anglo American Corporation at the President Brand Mine in the Free State Province, South Africa. Mr Benning was later head of Investment Banking – Mining & Metals at ABSA Capital.
Equity Raising

In order to complete Phase 1 of the Project acquisition Segue is undertaking an equity raising of up to A$3.53 million through a combination of a pro-rata non-renounceable rights issue and a sophisticated and institutional placement. The full details of the equity raising can be found in a separate announcement lodged with the Australian Securities Exchange today.

Summary

The Directors of Segue believe that the Emang Manganese Project provides an excellent opportunity to explore and then potentially develop a significant new manganese mine in one of the world’s largest manganese fields.

The history of shallow open pit mining in the region and exploration conducted to date indicates the mineralised body is well suited to open pit operations which would significantly reduce the anticipated capital expenditure for production. There is also potential to selectively mine the mineralisation to provide either a blended product or a high grade product dependent upon specific market demands.

The Board of Segue intends to commence the Initial Drilling Programme in August 2011, targeting the specific areas of interest highlighted by Venmyn Rand and move towards commercial production as soon as possible.

Segue’s Managing Director, Mr Steven Michael said:

“There has been a significant increase in exploration, development and mining activity in the Postmasburg Manganese Field in recent years, as demand for medium grade manganese ore has rapidly increased. The Emang Manganese Project is an exceptional opportunity for Segue to acquire a large landholding in this highly prospective field. The proximity to mining and export infrastructure as well as a strong BEE partner should enable Segue to move from a junior exploration company to manganese producer within a short timeframe.”

For further information visit www.segueresources.com or contact:

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Competent Person’s Statement

Information in this announcement that relates to Mineral Resource and Exploration Results is based on information compiled by Mr Andrew Clay. Mr Clay is a Fellow of the Australasian Institute of Mining and Metallurgy and a full-time employee of Venmyn Rand (Pty) Limited. Mr Clay has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking, to qualify as Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr Clay consents to the inclusion in the document of the information in the form and context in which it appears.
SOUTH AFRICA, MANGANESE INDUSTRY & MANGANESE MARKET REVIEW

Country Background

The Republic of South Africa, a parliamentary democracy, comprises of nine provinces covering a total area of 1,220,813 km² with a population of approximately 50 million people.

South Africa has a mature minerals industry, emanating from the discovery of gold and diamonds in the 19th century. Currently, the country is the world’s largest producer of chrome, platinum and vanadium and a significant producer of diamonds, coal, iron ore and other base metals. South Africa hosts a number of very large ore bodies and rich diamond fields, and is known to hold 80% of the world’s manganese reserves.

South Africa has well established mining legislation; the government enacted the Mineral and Petroleum Resources Development Act (MPRDA) on the 1st of May 2004. The objectives of the Act include the promotion of economic growth, the development of resources to expand opportunities for the disadvantaged and the socio-economic development (black empowerment provisions) of the areas in which mining and prospecting companies are operating. The Act also provides security of tenure relating to prospecting, exploration, mining and production.

Manganese Industry in South Africa

High grade manganese ores are classified as >44% with South Africa, Australia and Gabon producing both high and low grade ores. The Postmasburg Manganese Field has been shown to contain both high and low grades of manganese ore. End uses for manganese ore are largely crude steel producers, who account for 94% of total usage, integrally linking the manganese industry to the steel industry.

![Manganese Grade and Production by Country](image_url)
Manganese Market Review

Manganese is one of the world’s most abundant elements and the twelfth (12th) most available mineral in the earth’s crust. According to the International Manganese Institute, manganese is the fourth (4th) most used metal in terms of tonnage, being ranked behind iron, aluminium and copper, with an average of 38Mt of ore being mined annually.

Manganese is mostly used as an alloying element in steel production, which accounts for over 90% of all manganese consumed annually. Its contribution per tonne of steel is less than 0.1%.

In nonferrous metallurgy, manganese is used as an alloying element with aluminium, where it acts as a strengthening agent and with copper, to produce a wide range of manganese bronzes. With a forecasted increase in steel production of 1.4Bt by 2025, and the lack of a suitable substitute for manganese in steel making, the industry is expected to experience steady growth.

![Graph showing forecast global steel production]

Source: Hatch Beddows / Assmang

Forecast Global Steel Production

The world manganese market is projected to reach approximately 16Mt by 2011. Asia-Pacific (excluding Japan) is the largest and fastest-growing market, projected to have consumed 46% of the total manganese produced in 2010. With the emergence of China and India as the world’s fastest-growing economies, demand for manganese is expected to increase over the next few years because of rising steel consumption in both countries.

Market fundamentals for manganese will be determined by the speed and size of the recovery from the global recession. The fiscal stimulus plans that were introduced by the major economies around the globe could assist with demand and consumer confidence and this could have a positive effect on the future demand for manganese.